



# One Time Deferral Guide

Both 401k & Deferred Comp Savings Plans are investment programs that employees can utilize to supplement their retirement income by contributing a portion of their monthly salary into the plan.

By participating in these plans, employees have the opportunity to build their savings on a pre-tax basis while reducing their current taxable income or on an after tax (Roth) basis. This can be beneficial upon separation, as employees may choose to roll/defer their leave payout of vacation/bonus leave or longevity into their Prudential Savings Plan (401k or Deferred Comp/457b) to help increase their savings contributions or meet their annual savings max.

## **The Deferral Process**

- A 'One Time Contribution' form must be submitted for processing.
- Forms can be found at [www.NCPlans.prudential.com](http://www.NCPlans.prudential.com).
  - Forms can be faxed directly to BEST Shared Services:  
Fax# 919-855-6861
  - Forms should be faxed to BEST 30 days prior to the check issue date to ensure processing on that month's payroll.
  - BEST cannot guarantee any deferrals submitted during the payroll initialization period will be processed in that month's payroll.
- Questions concerning the deferral process & how deferrals may impact final pay can be directed to the Agency Payroll office or BEST Shared Services.

## **Contribution Limitations**

- The 2015 annual contribution general limit is \$18,000 for each plan.
- Catch up contributions for individuals age 50 or older - The member may contribute an additional amount of \$6,000 to either Plan for a total maximum contribution of \$24,000. (401k and 457 limits are not combined.)
  - 'Last Three (3) Year Catch Up' - 457 ONLY - Participants may make additional elective 457 contributions only during the 3 years before they reach normal retirement age under the plan. The Last-3-Year Catch-Up allows for double the dollar limit (\$18,000 x 2 = \$36,000 for 2015), or the basic annual limit (\$18,000 for 2015) plus amounts allowed but not contributed in prior years in which the participant was eligible to contribute. If a 457 participant is eligible for both the Age 50 Catch-Up and the Last-3-Year Catch-Up contribution in a year, the rule that allows for the greater catch-up contribution applies.



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- 401k will only allow up to 80% of a single paycheck to be deferred.
- Deferred Comp (457b) will allow 100% of a paycheck to be deferred.
- BEACON is programmed to calculate any prior contributions during the calendar year along with the deferral to ensure an employee does not exceed the annual limit.

## **Tax Implications for Pre-Tax Plans**

- The One Time Deferral/Contribution of will be tax deferred for non-Roth accounts; meaning federal and state taxes will not be taken from the deferral.
- Contributions and earnings are taxed when the funds are withdrawn.
- TSERS (6%), Social Security (6.2%) & Medicare (1.45%) will be deducted from any earnings listed on the paycheck, which would include any leave payouts or longevity pay prior to the deferral.
- Federal & State tax deductions will show on the pay stub for any portion of pay removed for taxable recurring payments & deductions that are not termed prior to the deferral (example, for any post tax insurance premiums).

## **Tax Implications for Roth After-Tax Plans**

- Contributions are taxed when made; however earnings are tax-free upon a 'qualified' distribution/withdrawal.

## **Other Remuneration Statement Recurring Payments & Deductions**

- BEST Shared Services will term any applicable State Health Plan or NC Flex elections according to regular separation or termination procedures to ensure the deductions are not taken from a deferred leave payout that occurs *after* the last regular month's pay.
- For any other recurring payments/deductions, the employee would need to contact those vendors directly to arrange termination or continuation, to ensure the deductions are not taken from a deferred leave payout that occurs *after* the last regular month's pay.

*NOTE: This document is provided for guidance and reference purposes only.*

*It is of general informational and educational nature and is not all inclusive.*

*Employees should consult with Prudential directly for specifics.*

[www.NCPlans.prudential.com](http://www.NCPlans.prudential.com) 1-866-627-5267